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July 23, 2008

Randall A. Hayes
Peoples Gas, Inc.
P. O. Box 245
Stanville, KY 41659-0245

CERTIFICATE OF SERVICE

RE: Case No. 2008-00202
Peoples Gas, Inc.

I, Stephanie Stumbo, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on July 23, 2008.

A handwritten signature in cursive script that reads "Stephanie Stumbo".

Executive Director

SS/rs
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF PEOPLE'S) CASE NO. 2008-00202
GAS, INC.)

ORDER

On April 30, 2001, in Case No. 2001-00027,¹ the Commission approved the transfer of the Phelps portion of the Mike Little Gas Co., Inc. ("Mike Little") system to People's Gas, Inc. ("People's") and provided for the adjustment of rates on a quarterly basis in accordance with Mike Little's Gas Cost Adjustment ("GCA") clause, which People's adopted and ratified as ordered in paragraph 3 of the Commission's Order approving the transfer.

On June 4, 2008, People's filed its GCA to be effective July 1, 2008. People's did not provide sufficient notice for its increase in rates to be effective on July 1, 2008, since its tariff requires that it give the Commission 30 days' notice in order to put a new GCA into effect. The People's tariff also states that the next GCA will begin on August 1, 2008. Therefore, the Commission finds that the earliest possible effective date should be August 1, 2008.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

¹ Case No. 2001-00027, Joint Petition of Mike Little Gas Company, Inc. and People's Gas, Inc. for the Transfer of Gas Transmission Facilities and Joint Motion for Relief from Compliance Schedule, Order dated April 30, 2001.

1. The People's notice includes revised rates designed to pass on to its customers its expected change in wholesale gas costs.

2. The People's notice sets out an Expected Gas Cost ("EGC") of \$10.1977 per Mcf, based on Columbia Gas of Kentucky's ("Columbia") Intrastate Utility Service ("IUS") rate. Columbia's IUS rate is updated quarterly when it revises its GCA. Although Columbia's most current GCA and IUS rates were approved after the People's submitted its pending application, the Commission believes it is beneficial for People's GCA to reflect as accurately as possible the natural gas purchase costs it will actually incur during the next quarter. In light of this, Commission Staff ("Staff") updated the calculation of the People's EGC to reflect Columbia's current IUS rate. The People's revised EGC is \$14.9908, which is an increase of \$3.8444 from its prior EGC of \$11.1464. Staff's revised calculations are attached as Appendix B.

3. The People's notice sets out no current quarter refund adjustment.

4. The People's notice sets out a current quarter Actual Adjustment ("AA") of \$1.37 per Mcf. People's incorrectly calculated its unit cost of gas for all six months. Correcting for this produces a current quarter AA of \$1.4763 per Mcf. The People's total AA is \$1.0212 per Mcf, which is an increase of \$1.3341 per Mcf from its previous total AA. Staff's revised calculations are attached as Appendix B.

5. The People's notice proposes no current quarter Balance Adjustment ("BA"). The People's total BA is \$0 per Mcf, which is an increase of \$.1787 per Mcf from its previous total BA.

6. The People's GCA is \$16.0120 per Mcf, which is an increase of \$5.3572 per Mcf from its previous rate of \$10.6548.

7. The rates in Appendix A to this Order are fair, just, and reasonable, and should be approved for billing for service rendered by People's on and after August 1, 2008.

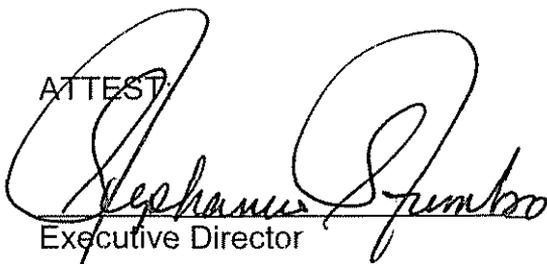
IT IS THEREFORE ORDERED that:

1. The rates proposed by People's are denied.
2. The rates in Appendix A, attached hereto and incorporated herein, are approved for billing for service rendered on and after August 1, 2008.
3. Within 20 days of the date of this Order, People's shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 23rd day of July, 2008.

By the Commission

ATTEST


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2008-00202 DATED JULY 23, 2008

The following rates and charges are prescribed for the customers in the area served by People's Gas, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order.

Monthly:

	<u>Base Rate</u>	Gas Cost Recovery <u>Rate</u>	<u>Total</u>
First 1 Mcf – Minimum Bill	\$4.3971	\$16.0120	\$20.4091
Over 1 Mcf	\$2.7670	\$16.0120	\$18.7790

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2008-00202 DATED JULY 23, 2008

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$14.9908
Refund Adjustment (RA)	\$/Mcf	\$0.0000
Actual Adjustment (AA)	\$/Mcf	\$1.0212
Balance Adjustment (BA)	\$/Mcf	\$0.0000
Gas Cost Recovery Rate (GCR)	\$/Mcf	\$16.0121

to be effective for service rendered from.

<u>A EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Sch II)	\$/Mcf	\$148,055.55
/Sales for the 12 months ended	\$/Mcf	9,876.40
Expected Gas Cost	\$/Mcf	\$14.9908
<u>B REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Supplier Refund Adjustment for Reporting Period (Sch III)	\$/Mcf	\$0.0000
+Previous Quarter Supplier Refund Adjustment	\$/Mcf	
+Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	
+Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	
=Refund Adjustment (RA)	\$ Mcf	\$0.0000
<u>C. ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Actual Adjustment for the Reporting Period (Sch IV)	\$/Mcf	\$1.4763 Expires 08/09
+Previous Quarter Reported Actual Adjustment	\$/Mcf	(\$0.4551) Expires 12/08
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	
+Third Previous Quarter Reported Actual Adjustment	\$/Mcf	
=Actual Adjustment (AA)	\$ Mcf	\$1.0212
<u>D. BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Balance Adjustment for the Reporting Period (Sch V)	\$/Mcf	\$0.0000
+Previous Quarter Reported Balance Adjustment	\$/Mcf	
+Second Previous Quarter Reported Balance Adjustment	\$/Mcf	
+Third Previous Quarter Reported Balance Adjustment	\$/Mcf	
=Balance Adjustment (BA)	\$ Mcf	\$0.0000

SCHEDULE II
EXPECTED GAS COST

Actual Mcf Purchases for 12 months ended January 2008

(1) Supplier	(2) Dth	(3) Btu Conversion Factor	(4) Mcf	(5) Rate	(6) (4) x (5) Cost
Columbia Gas of Kentucky			11,477	\$14.24	\$163,447.40
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00

Totals	11,477	\$163,447.40
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Line loss for 12 months ended January '08 is based on purchases of 11,477.00
and sales of 9,876.40 Mcf. 13.95%

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)		\$163,447.40
/ Mcf Purchases (4)		11,477
= Average Expected Cost Per Mcf Purchased		\$14.2413
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)		10,396.21
= Total Expected Gas Cost (to Schedule IA)		\$148,055.55

SCHEDULE IV

ACTUAL ADJUSTMENT

For the 12 month period ended

Particulars	Unit	Aug. '07	Sept. '07	Oct. '07	Nov. '07	Dec. '07	Jan. '08
Total Supply Volumes Purchased	Mcf	404	255	753	1336	1621	2225
Total Cost of Volumes Purchased	\$	\$8,807.55	\$2,152.93	\$8,386.12	\$15,100.85	\$18,400.80	\$25,332.14
/ Total Sales *	Mcf	383.8	253.0	715.4	1,269.2	1,796.6	2,113.8
= Unit Cost of Gas	\$/Mcf	\$22.9483	\$8.5096	\$11.7231	\$11.8979	\$10.2420	\$11.9845
- EGC in Effect for Month	\$/Mcf	\$7.8548	\$7.8548	\$7.8548	\$7.8548	\$7.8548	\$11.1464
= Difference	\$/Mcf	\$15.0935	\$0.6548	\$3.8683	\$4.0431	\$2.3872	\$0.8381
X Actual Sales during Month	Mcf	250.6	253.0	276.0	980.1	1,796.6	1,567.2
= Monthly Cost Difference	\$	\$3,782.43	\$165.67	\$1,067.65	\$3,962.67	\$4,288.87	\$1,313.40

Total Cost Difference \$14,580.68
 / Sales for 12 months ended Mcf 9,876.4
 = Actual Adjustment for the Reporting Period (to Sch IC) \$1,476.3

* May not be less than 95% of supply volume